

Docket ER 11-3322 Nov. 2011 FERC Order

84. First, we believe that an examination of the PLC would be beneficial. Based on our review of the record, in this proceeding, we recommend that PJM analyze and discuss with stakeholders whether a more accurate compliance metric or adjustment to the PLC can be established for estimating a resource's contribution to the reliability requirement and the amount of capacity which a customer is obligated to purchase, as suggested in part by Comverge, the IMM, Viridity, and the Maryland Public Service Commission.

88. Accordingly, we require PJM to submit an informational filing within one year of the date of this order to inform the Commission on the status of any discussions with stakeholders regarding: (i) the accuracy of the PLC in estimating a resource's contribution to the reliability requirement; (ii) applicability of the PLC performance metric for resources with higher performance outside of the summer period; (iii) whether the PLC can be adjusted to account for load growth and other trends included in the PJM load forecasts that are used in RPM; and (iv) how advanced metering and communications could foster the reliability of the PJM Capacity DR product

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"PJM expects that stakeholders will continue to weigh the accuracy of, *and potential alternatives to, PLC for the purpose of establishing the contribution of each demand response resource* to the PJM system reliability requirement."

Hess Position

It is our position that the job assigned to the CSTF was an evaluation of whether the PLC is still the appropriate benchmark to use in determining the maximum amount of reduction capability a customer is permitted to enroll. In other words, is the PLC the appropriate measure by which we "estimate a [DR] resource's contribution to the reliability requirement." (FERC November 2011 Order at 84). FERC specifically recommended that we look at whether there is a "more accurate compliance metric or adjustment to the PLC," it did not say to look at revamping the PLC determination methodology, which has much broader implications than estimating a DR resource's contribution to the reliability requirement. The issue at hand is properly estimating how much a DR resource can contribute to the reliability requirement in the form of actual reduction capabilities. Setting that estimate at a customer's PLC, in many cases, denies the system from true reduction capability not captured by a PLC. The PLC is a cost allocation mechanism, and the question is whether or not it is still appropriate to use this cost allocation mechanism, without adjustment, to artificially limit the amount of reduction capability that a customer may register and contribute to meeting the system's reliability requirement. PJM acknowledged the expectation of this discussion in its Compliance filing, and we believe the CSTF should be afforded an opportunity to have these discussions.